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BFIN 473.01: Multinational Financial Management

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**Syllabus BFIN 473 Multinational Finance and FDI
Spring 2016**

Accounting and Finance
School of Business Administration
University of Montana

Professor: Richard D. Erb, Ph.D.

Class Time: 9:40 – 11:00; TR

Class Room: GBB LO9

Office Room: GBB 348.2

Office Hours: 11:15 – 1:00 TR **or by appointment**

Email: richard.erb@business.umt.edu

BFIN 473 - Multinational Finance and FDI

Offered spring. Prereq: junior standing in Business, BFIN 322 and ECNS 202S, or consent of instr. Students are strongly encouraged to complete BGEN 360 prior to BFIN 473. Topics include financial skills required of corporate executives in international business, exchange rate risk analysis, analysis of global financial systems and assessment of real international investments.

SOBA Mission Statement and Assurance of Learning

The University of Montana's School of Business Administration enhances lives and benefits society by providing a world-class business education in a supportive, collegial environment.

We accomplish this mission by acting on our shared core values of creating significant experiences, building relationships, teaching and researching relevant topics, behaving ethically, and inspiring individuals to thrive.

As part of our assessment process and assurance-of-learning standards, the School of Business Administration has adopted the following learning goals for our undergraduate students:

Learning Goal 1: SoBA graduates will possess fundamental business knowledge.

Learning Goal 2: SoBA graduates will be able to integrate business knowledge.

Learning Goal 3: SoBA graduates will be effective communicators.

Learning Goal 4: SoBA graduates will possess problem solving skills.

Learning Goal 5: SoBA graduates will have an ethical awareness.

Learning Goal 6: SoBA graduates will be proficient users of technology.

Learning Goal 7: SoBA graduates will understand the global business environment in which they operate.

BFIN 473 Learning Goals

After completing this course, a student will be able to

1. evaluate the impact of historical events on the structure, operations and behavior of currency and financial markets
2. understand the terminologies, instruments (products), institutions and operations of global currency markets and know how to engage in currency market transactions
 - utilize currency and financial market information services
 - utilize the currency and financial services and information provided by nongovernmental cooperative institutions including for example, professional and trade associations
3. evaluate the broad similarities as well as broad differences among national financial systems
 - utilize government and other sources of information to understand the way an individual country's national financial system works, its strengths and weaknesses and the degree to which it is open to international financial transaction
 - understand the impact of technology on currency markets and national financial systems
4. monitor the activities of intergovernmental institutions including the Bank for International Settlements (BIS), the International Monetary Fund (IMF), Basle Committees, World Bank, regional development banks and political level cooperative bodies such as the G7 and the G-20 group of nations and know how to utilize the analyses and wide ranging information provided by such institutions
5. calculate the impact of exchange rate changes on the relative prices of goods, services, financial assets and financial liabilities denominated in different national currencies
 - evaluate the impact of exchange rate changes on international flows of goods, services, income
 - evaluate the impact of exchange rate changes on international financial flows including foreign direct investments, portfolio investments and bank loans
6. analyze the factors that influence exchange rate developments and national financial market developments:
 - government economic, monetary and exchange rate policies
 - differences among countries in growth rates, inflation rates, interest rates, savings rates and other measures of economic performance
 - political events having a potential economic and financial impact

7. analyze currency, financial and other risks and develop ways of reducing or eliminating such risks by utilizing financial hedges, natural hedges or other techniques
8. contribute to a nonfinancial company's multinational financing and operating decisions:
 - financial decisions, including:
 - cash management, liquidity and short term financing decisions
 - currency risk hedging decisions
 - credit risk protection decisions
 - marketing decisions, including:
 - pricing decisions
 - currency and financing decisions
 - strategic marketing decisions
 - procurement decisions, involving:
 - purchase pricing and currency commitments
 - supply chain commitments
 - production decisions, including:
 - location of production facilities
 - parameters for procurement negotiations
 - employee remuneration policies and practices, including:
 - remuneration currency for foreign assignments
 - expatriate benefits
 - strategic investment decisions, including for example:
 - decisions regarding which national markets to enter
 - decisions regarding where and how to establish production facilities
 - management – organization decisions, including:
 - guidelines for ethical behavior
 - currency and financial decision making organization and chain of command
 - currency and financial operational checks and balances

9. understand the ethical dimensions of multinational finance

- financial sector codes of conduct
- recent financial scandals
- intergovernmental anticorruption initiatives

10. “keep up with the times” because much of what is studied during this semester will be out of date within a short period of time

Skills emphasized in this course include the following:

- Analytical and problem solving skills, including ability to:
 - analyze the factors that influence the behavior of financial and currency markets in countries with different economic and financial systems
 - calculate and analyze the impact of changes in exchange rates and financial variables on company financial and nonfinancial operations
 - analyze the interrelationships among financial and currency markets and draw implications for company financing and hedging decisions
- Research skills, including the ability to:
 - understand, synthesize and apply analyses and information from primary sources, e. g. central banks, finance ministries, intergovernmental financial institutions (IMF, BIS)
 - utilize financial and currency market information sources, including for example financial news sources like the Financial Times and Reuters; bank sites
- Communication skills, including the ability to:
 - briefly summarize in writing the main conclusions of your readings, analysis, etc
 - briefly summarize and discuss in class multinational finance issues

Career development

This course is designed to be of practical use not only to finance majors but also those with a broad interest in international business including accounting, marketing, production, and management activities. Those who plan to work for a domestic business also will benefit because there are very few purely domestic businesses that are not affected by global financial and currency developments.

For those students with an interest in public service, most of the financial and foreign currency skills covered in this course will be valuable in other contexts, including for example central banks and government treasury departments, financial regulatory bodies and government lending agencies.

Students should feel free to raise career questions in class or during office hours.

Course Activities and Grading (Percentages are approximate; requirements subject to change and I will use the +/- grade method.)

1. **Quizzes** (30%) In lieu of a mid-term exam, I frequently will give short quizzes at the beginning of a class. Quizzes will be preannounced and cover recent subjects. Answers to quizzes will be posted on Moodle and discussed in class. If I am informed beforehand that you will not be able to take a quiz I will schedule a make-up quiz.
2. **Final Exam** (30%) Final exam questions will cover the entire course. Approximately 50% will involve problem solving. Final exam for this course is scheduled for 8am – 10am on Wednesday May 11.
3. **Reports** (30%) Each member of the class will be assigned a country to study and to monitor developments during the semester. During the semester you may be asked to submit brief reports on various subjects including for example the country's exchange rate policies, central bank policies and relevant political and economic developments. I also may ask for brief reports on other subjects during the semester. Specific guidance will be provided when a report is assigned.

At the end of the semester you will submit a brief report with your final assessment of the country as a business and investment opportunity. Reports will be judged on a number of factors including clarity and brevity of writing, quality of your analysis and the quality and breadth of your references.

Reports not submitted on due date without prior notice will be subject to penalty.

4. **Homework** (5%) I will periodically assign homework problems to give me and you an opportunity to see what is being learned. Unless I say otherwise, I will not grade answers but the grade will be based on whether a homework assignment is submitted on time and the effort made when answering questions. Answers will be posted on Moodle for self-grading and class discussion.
5. **Class participation** (+/- 5%)
 - Positive points: arrive on time; be prepared by having read reading assignments and followed market developments; ask questions and make comments; correct my mistakes; bring ideas to class; volunteer comments on your country or global financial developments; meet me during office hours at least once during semester.
 - Negative points: Things that really irritate me and result in negative points: talking to neighbors; leaving class without alerting me in advance or unless there is an emergency; playing games and accessing non class related material on computer (always noticed); late arrivals; absence from class without prior or ex-post explanation; copying neighbor's work; not seeing me when you are having difficulties with the course

Readings, Homework Assignments and other Information Sources

- At the start of each class I will circulate an agenda summarizing reading assignments, homework assignments, major country and financial market events and an outline of subjects to be covered during class.
- I will provide on Moodle background notes and articles on most topics covered during the course. Bring notes to class when a topic is to be discussed.
- I will assign readings from primary information and research sources
- You will be responsible for readings that I will periodically assign from the Economist. Thus, unless you have access to the Economist you should take out a 12 week digital subscription for \$12.
<https://subscriptions.economist.com/GLB/ENG/NY16/SPLASH/MST/index.php>
- Students also will be expected to follow relevant political, economic, financial and exchange market developments on a regular basis using Reuters.com (there is no charge for Reuters) and other high quality information sources including for example the Wall Street Journal (WSJ.com) and Bloomberg.com
 - You will be expected to follow and discuss in class financial and currency developments in China, Japan, the United States and the Euro area.

Office hours: If you have any questions regarding course work, your grade, future career opportunities or anything else, do not hesitate to see me during office hours. If it is not possible to see me during office hours we can make an appointment for a mutually convenient day and time.

Prerequisites: Students MUST have successfully achieved a junior standing in business and completed FIN 322 with a C or better and SHOULD have completed Mgmt 368. Students not meeting the FIN 322 prerequisite will receive a grade of F regardless of class scores. This may also result in forfeiture of fees paid. Students are strongly encouraged to review basic finance and economics material prior to this course.

Class attendance is required. Your attendance and participation are essential to an understanding of the course material. Students who do not attend class on a regular basis generally earn much lower grades. Approval for absence must be sought in advance (e.g. for school-sponsored events) Work, transportation and vacation will not normally result in an excused absence. Documented emergency situations will normally be excused, but they must be cleared as soon as possible.

Professionalism – Students are preparing to become business professionals, and professional behavior is expected at all times. Students are expected to abide by the SOBA Code of Professional Conduct (found online at <http://www.business.umd.edu/ethics/professional-conduct-code.php>).

Emails -- According to University policy, faculty may only communicate with students regarding academic issues via official UM email accounts. Accordingly, students must use their UM accounts. Email from non-UM accounts will likely be flagged as spam and deleted without further response. To avoid violating the Family Educational Rights and Privacy Act, confidential information (including grades and course performance) will not be discussed via phone or email.

Quizzes and Final Exam If you absolutely must miss a quiz or the final exam, you must notify me prior to the quiz and provide a written justification (by email is ok) for your absence (e.g. a school-sponsored event). In the event of an excused absence or absence caused by a documented emergency, either the remaining quizzes will be weighted more heavily or you will take a make-up quiz. No student may miss more than one quiz and pass the course; all students must be present at the final test.

- Hand calculators will be needed during quizzes and final exam. (Note: The A&F Department requires all students to use the TI BAII+ calculator in ACTG and BFIN courses.)
- Computers, cell phones and other electronic communication devices will not be allowed.

Add/Drop Dates: February 12: last day to drop without a petition (instructor, advisor, assoc dean must sign) Note: it has been the practice of the A&F department not to sign petitions after 9 weeks into a semester unless there is a really good reason.

Incompletes Policy per the UM catalog: “Incomplete grades are not an option to be exercised at the discretion of a student. In all cases it is given at the discretion of the instructor within the following guidelines. A mark of incomplete may be assigned students when (1) the student has been in attendance and doing passing work up to three weeks before the end of the semester, and (2) for reasons beyond the student's control and which are acceptable to the instructor, the student has been unable to complete the requirements of the course on time. Negligence and indifference are not acceptable reasons.”

Disability Policy

Students with disabilities may request reasonable modifications by contacting me. The University of Montana assures equal access to instruction through collaboration between students with disabilities, instructors, and Disability Services for Students (DSS). “Reasonable” means the University permits no fundamental alterations of academic standards or retroactive modifications. For more information, please consult <http://www.umt.edu/disability>.

Academic integrity

Integrity and honesty are hallmarks of the accounting profession. It is your duty to abide by the University’s academic policies, and it is the instructor’s duty to enforce those policies. Cheating of any sort will not be tolerated. Cheating, failure to follow instructions, and/or failure to follow course policies may result in a reduced grade or a failing grade at the instructor’s option. The following message about academic integrity comes from the Provost’s office: *“All students must practice academic honesty. Academic misconduct is subject to an academic penalty by the course instructor and/or a disciplinary sanction by the University. All students need to be familiar with the Student Conduct Code. The Code is available for review online at http://life.umt.edu/vpsa/student_conduct.php.”*

Attention Juniors (60-90 cr): If you have not done so, please be sure to attend one of the **mandatory** bystander intervention trainings.. **You must complete this training prior to registering for fall 2016.** Sophomores can complete the training now and not have to repeat it next year. A list of scheduled trainings is posted at: www.umt.edu/safety/training/bystander.